Grant Thornton

# Project's Financial Statements and Independent Auditor's Report

Ministry of Finance of the Republic of North Macedonia

**"Building Effective, Transparent and Accountable Project Financial Management Institution Project"** - International Bank for Reconstruction and Development

Loan number 9454-MK
Grant number B9863-MK

For the period from 1 January 2024 through 31 December 2024

# Contents

Grant Thornton

# Independent Auditor's Report

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To the Minister of Finance

*Opinion*

We have audited the Project's financial statements of the Ministry of Finance of the Republic of North Macedonia ("the Ministry" or "MoF"), "Building Effective, Transparent and Accountable Project Financial Management Institution Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development, Loan Agreement number 9454-MK and the EU under the European Commission - World Bank Partnership Programme Part III for Europe and Central Asia Programmatic Single-Donor Trust Fund, Grant Agreement number B9863-MK, signed between the Republic of North Macedonia ("Borrower/Recipient") and the International Bank of Reconstruction and Development (acting as the administrator of the Trust Fund) dated 25th of January 2023, comprising the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Withdrawals, Designated Account Statements as at and for the year ended 31 December 2025 and notes to the financial statements (further referred as to "the Project's Financial Statements") including a summary of significant accounting policies.

In our opinion, the accompanying Project's financial statements of the Ministry of Finance of the Republic of North Macedonia "Building Effective, Transparent and Accountable Project Financial Management Institution Project", financed under International Bank for Reconstruction and Development, Loan number 9454-MK and Grant number B9863-MK present fairly, in all material respects, the Project's financial position as at 31 December 2025 and the movement of the Statement of Uses of Funds, Statements of Uses of Funds by Project Activity, Statement of Withdrawals and Designated Accounts' Statements as at and for the period from 01 January 2025 to 31 December 2025 in conformity with the accounting policies described in Note 3, the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement number 9454-MK dated 25 January 2023 and Grant Agreement number B9863-MK dated 25 January 2023.

*Basis for opinion*

We conducted our audit in accordance with the International Standards on Auditing[1]. Our responsibilities under these standards are further described in the Auditor's Responsibility for the Audit of the Project's financial statements section of this report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of North Macedonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use*

We draw attention to Note 3 to the Project's financial statements, which describes the basis of accounting. The Project's financial statements are prepared to assist the Project in complying with the financial reporting provisions of the Agreement referred to above. As a result, Project's financial statements may not be suitable for another purpose. Our report is intended solely for the Project Management, the Ministry of Finance of the Republic of North Macedonia and the International Bank for Reconstruction and Development and should not be distributed to or used by parties other than the Ministry and the IBRD. Our opinion is not modified in respect of this matter.

*Responsibility of management and those charged with governance for the financial statements*

Project's management is responsible for the preparation and fair presentation of the Project's financial statements in accordance with the cash receipts and disbursement basis in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement number 9454-MK dated 25 January 2023 and Grant Agreement number B9863-MK dated 25 January 2023 and for such internal control as management determines is necessary to enable the preparation of Project's financial statements that are free from material misstatement, whether due to fraud or error.

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[1] International Standards on Auditing ("ISA") translated and published in the Official Gazette of the Republic of North Macedonia No. 273 of 2024, effective from 1 January 2025.

In preparing the Project's financial statements, Project's management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

*Auditor's Responsibility for the Audit of Financial Statements*

Our objectives are to obtain reasonable assurance about whether the Project's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these Project's financial statements.

As part of the audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Project's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Suzana Stavrikj
Director
Grant Thornton DOO, Skopje

Suzana Stavrikj
Certified Auditor

Skopje, 22 June 2026

# Management Responsibility

The accompanying financial statements comprising of Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statements of Withdrawals, Designated Account Statements and related disclosure Notes (further referred as to "Project's Financial Statements"), of the Ministry of finance of the Republic of North Macedonia (further referred as to "MoF"), "Building Effective, Transparent and Accountable Project Financial Management Institution Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development (IBRD) Loan number 9454-MK and the EU under the European Commission - World Bank Partnership Programme Part III for Europe and Central Asia Programmatic Single-Donor Trust Fund, Grant number B9863-MK, for the period 1 January 2025 to 31 December 2025 on pages 4 to 17, are the responsibility of, and have been approved by the Project's management.

The accompanying Project's financial statements have been compiled by the Project's management, for the purposes of reporting to the MoF and the International Bank for Reconstruction and Development, in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement number 9454-MK and Grant Agreement numbered B9863-MK signed between the Republic of North Macedonia ("Borrower/Recipient") and the International Bank of Reconstruction and Development ("World Bank" and acting as the administrator of the Trust Fund) both dated 25th of January 2023.

Project's management, in furtherance of the integrity and objectivity of the Project's financial statements, has developed and maintained an internal control structure, including the appropriate control environment, accounting systems and control procedures. Project's management believes that internal controls provide assurance that financial records are reliable and form a proper basis for the preparation of financial statements, and that assets are properly accounted for and safeguarded. There are, however, inherent limitations that should be recognized in considering the assurances provided by the internal control structure. The internal control process also includes management's communication to employees of policies, which govern ethical business conduct.

Grant Thornton doo Skopje, Independent Auditor, has been engaged to audit these Project's financial statements in accordance with the International Standards on Auditing (ISAs)[1]. Their report is included on pages 2 and 3.

Aleksandar Najdovski
Project Manager
18 June 2026

[1] International Standards on Auditing ("ISAs") translated and published in the Official Gazette of the Republic of Macedonia No. 273 of 2024, which entered into force on 1 January 2025.

# Statement of Sources and Uses of Funds – Loan number 9454-MK & Grant number B9863-MK

(Amounts in EUR)
For the period from 1 January 2025 through 31 December 2025

| | Actual | | Budget | | Variance | |
|---|---|---|---|---|---|---|
| | Current period | Cumulative | Current period* | Cumulative | Current period | Cumulative |
| **Sources of funds** | | | | | | |
| IBRD Loan 9454-MK | 46,849.24 | 1,257,578.19 | 46,849.24 | 1,257,578.19 | - | - |
| Grant B9863-MK | (399,787.71) | 6,741.98 | (399,787.71) | 6,741.98 | - | - |
| Front-end Fee | - | 50,000.00 | - | - | - | 50,000.00 |
| Loan - Bank charges/fee (retained amount as sender charges) | 105.91 | 557.91 | - | - | 105.91 | 557.91 |
| Grant - Bank charges/fee (retained amount as sender charges) | - | 139.00 | - | - | - | 139.00 |
| **Total sources of funds** | **(352,832.56)** | **1,315,017.08** | **(352,938.47)** | **1,264,320.17** | **105.91** | **50,696.91** |
| **Uses of funds** | | | | | | |
| **Financed by IBRD** | | | | | | |
| Component 1. Supporting Public Expenditure Management Reforms | 42,741.36 | 63,668.59 | 4,657,979.69 | 8,992,861.69 | (4,615,238.33) | (8,929,193.10) |
| Component 2. Strengthening Tax Administration Practices and Systems in PRO | 189,072.66 | 214,903.49 | 365,271.08 | 748,803.08 | (176,198.42) | (533,899.59) |
| Component 3. Change Management, Coordination and Project Implementation Support | 104,793.93 | 307,190.70 | 212,197.04 | 669,312.65 | (107,403.11) | (362,121.95) |
| **Subtotal - Financed by IBRD** | **336,607.95** | **585,762.78** | **5,235,447.81** | **10,410,977.42** | **(4,898,839.86)** | **(9,825,214.64)** |
| Front-end fee | - | 50,000.00 | - | - | - | 50,000.00 |
| **Total uses of funds** | **336,607.95** | **635,762.78** | **5,235,447.81** | **10,410,977.42** | **(4,898,839.86)** | **(9,775,214.64)** |
| **Balance** | **(689,440.51)** | **679,254.30** | | | | |
| Net increase/ (decrease) in cash flow | **(689,440.51)** | | | | | |
| **Bank balances beginning of period** | **1,368,694.81** | | | | | |
| **Bank and petty cash balance end of period** | **679,254.30** | **679,254.30** | | | | |

* The budgeted amounts for the current period are projected amounts by the Project Implementation Unit

The Project's Financial Statements have been approved by the MoF on 18 June 2026 and signed on its behalf by:

Aleksandar Najdovski
Project Manager

Sonja Jovanovska
Financial Management Specialist

# Statement of Uses of Funds by Project Activity–Loan number 9454-MK & Grant number B9863-MK

| | | | | | | (Amounts in EUR) |
|---|---|---|---|---|---|---|
| | For the period from 1 January 2025 through 31 December 2025 | | | | | |
| | Actual | | Budget | | Variance | |
| | Current period | Cumulative | Current period* | Cumulative | Current period | Cumulative |
| **Component 1: Supporting Public Expenditure Management Reforms** | | | | | | |
| 1.1 Implementation of adjustments to legal frameworks | 186.29 | 6,880.98 | 243.91 | 295,243.91 | (57.62) | (288,362.93) |
| 1.1.1. Supporting implementation of the OBL (advisory + training) | - | - | - | 47,500.00 | - | (47,500.00) |
| 1.1.1.1 EViews | - | 6,527.12 | - | 6,970.00 | - | (442.88) |
| 1.1.1.2 Supporting implementation of the OBL (advisory + training) | - | - | - | 240,500.00 | - | (240,500.00) |
| 1.1.1.3. Operating costs - EViews | - | 28.57 | - | 30.00 | - | (1.43) |
| 1.1.2. Supporting the implementation of PIM (advisory + training) | - | - | - | - | - | - |
| 1.1.3. Operating costs- Bank fee /retained amount Grant | - | 139.00 | - | - | - | 139.00 |
| 1.1.4. 1.1.4 Bank fees grant (return the unused amount) | 186,29 | 186,29 | 243,91 | 243,91 | (57.62) | (57.62) |
| 1.2 Development of GovTech Solutions to Support PFM Reports | - | - | 4,429,040.57 | 7,126,546.57 | (4,429,040.57) | (7,126,546.57) |
| 1.2.1. Development of IFMIS (custom SW development) | - | - | 10,910.57 | 907,160.57 | (10,910.57) | (907,160.57) |
| 1.2.2. Enhancement of IFMIS infrastructure (HW, NW eq for data centers) | - | - | 4,418,130.00 | 5,919,386.00 | (4,418,130.00) | (5,919,386.00) |
| 1.2.3 MRC-DRC network secure bacp-up connection | - | - | | 300,000.00 | | (300,000.00) |
| 1.3 Development of State Aid MIS and capacity building | 42,555.07 | 56,787.61 | 228,695.21 | 528,575.21 | (186,140.14) | (471,787.60) |
| 1.3.1. Development of State Aid MIS and capacity building | | | 141,317.07 | 351,317.07 | (141,317.07) | (351,317.07) |
| 1.3.2. Advisory support to SAMIS Working Body during implementation | 42,555.07 | 56,787.61 | 87,378.14 | 177,258.14 | (44,823.07) | (120,470.53) |
| 1.4 Insitutional Structures and Enabling Environment | - | - | - | 1,042,496.00 | - | (1,042,496.00) |
| 1.4.1. Advisory support to new Working Body for IFMIS implementation | - | - | - | 324,000.00 | - | (324,000.00) |
| 1.4.2. Strengthening digital skills of the Working Body (training+certification) | - | - | - | 147,000.00 | - | (147,000.00) |
| 1.4.3. Develop business continuity plan & disaster recovery skills (advisory) | - | - | - | 82,500.00 | - | (82,500.00) |
| 1.4.4. Enhancing the Network Security | - | - | - | 325,000.00 | - | (325,000.00) |
| 1.4.5. Training of IFMIS central & local users (functional & digital skills) | - | - | - | 163,996.00 | - | (163,996.00) |
| **Total Component 1** | **42,741.36** | **63,668.59** | 4,657,979.69 | 8,992,861.69 | (4,615,238.33) | (8,929,193.10) |
| **Comp.2 Strenghtening Tax Administration Practices and Systems in PRO** | | | | | | |
| 2.1 Improvements in the effectiveness of revenue management | - | - | - | 124,600.00 | - | (124,600.00) |
| 2.1.1. Support for implementation of compl risk mgmt | - | - | - | 41,600.00 | - | (41,600.00) |
| 2.1.2. Strengthening administrative capacity in functional areas | - | - | - | 44,000.00 | - | (44,000.00) |
| 2.1.3. Large Taxpayer Office (LTO) capacity building | - | - | - | 39,000.00 | - | (39,000.00) |
| 2.1.4. Implementation of international conventions | - | - | - | - | - | - |
| 2.1.5. Support for the modernization of taxpayer services | - | - | - | - | - | - |

| | For the period from 1 January 2025 through 31 December 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | Budget | | Variance | |
| | Current period | Cumulative | Current period* | Cumulative | Current period | Cumulative |
| 2.2 Enhancing and expending PRO's tax revenue information systems (ITIS) | 189,072.66 | 214,903.49 | 365,271.08 | 624,203.08 | (176,198.42) | (409,299.59) |
| 2.2.1. Support for the development of requirements and bidding docs | 189,072.66 | 214,903.49 | 231,303.60 | 360,235.60 | (42,230.94) | (145,332.11) |
| 2.2.2. Supporting the dev of DW / BI tools | - | - | 133,967.48 | 263,967.48 | (133,967.48) | (263,967.48) |
| 2.2.3. Support for additional ITIS modules (e-Invoice) & data exchange with EU and other inst & Help Desk | - | - | - | - | - | - |
| 2.2.4. Modernization of PRO's data center & DRC | - | - | - | - | - | - |
| 2.3 Strenghtening of PRO management functions | - | - | - | - | - | - |
| 2.3.1. Supporting the adoption of new HRM procedures | - | - | - | - | - | - |
| 2.3.2. Strengthening PRO's analytical capacity | - | - | - | - | - | - |
| 2.3.3. Support for adoption of a modern information governance structure | - | - | - | - | - | - |
| 2.3.4. Support for implementation of innovative tax compliance approaches | - | - | - | - | - | - |
| 2.3.5.Support for capacity building activities | - | - | - | - | - | - |
| **Total Component 2** | **189,072.66** | **214,903.49** | **365,271.08** | **748,803.08** | **(176,198.42)** | **(533,899.59)** |
| **Comp.3 Change Management,Coordination and Project Impl Support** | | | | | | |
| 3.1 Support for change management to MOF,PRO+Support to PFA | - | - | - | 107,500.00 | - | (107,500.00) |
| 3.1.1 Support for change management to MOF,PRO+Support to PFA | - | - | - | 107,500.00 | - | (107,500.00) |
| 3.2 Monitoring the results of IFMIS,SAMIS,and PRO operations | - | - | - | - | - | - |
| 3.2.1 Monitoring the results of IFMIS,SAMIS,and PRO operations | - | - | - | - | - | - |
| 3.3 Support for the Project Implementation Unit (PIU) within the MOF | 104,793.93 | 307,190.70 | 212,197.04 | 561,812.65 | (107,403.11) | (254,621.95) |
| 3.3.1 Support for the Project Implementation Unit (PIU) within the MOF | - | - | - | | | |
| 3.3.1.1 Project Manager | 33,602.33 | 90,199.17 | 33,600.00 | 93,008.70 | 2.33 | (2,809.53) |
| 3.3.1.10 Operating costs - Bank charges/fee (retained amount as sender charges) | 105.91 | 557.91 | - | - | 105.91 | 557.91 |
| 3.3.1.11 Procurement of laptops - IFMIS WB | - | 10,550.14 | - | 30,112.59 | | (19,562.45) |
| 3.3.1.12 ICT Specialist | - | - | 59,640.00 | 89,940.08 | (59,640.00) | (89,940.08) |
| 3.3.1.13 PIU members | - | - | 12,372.77 | 54,548.54 | (12,372.77) | (54,548.54) |
| 3.3.1.14 Project Audit | 9,221.66 | 18,472.11 | 9,201.66 | 18,452.66 | 20.00 | 19.45 |
| 3.3.1.2 Procurement Specialist | 29,822.06 | 77,032.79 | 29,820.00 | 79,520.00 | 2.06 | (2,487.21) |
| 3.3.1.3 Financial Management Specialist | 29,822.06 | 77,032.79 | 29,820.00 | 79,520.00 | 2.06 | (2,487.21) |
| 3.3.1.4 Operating Costs - bank provision | 9.78 | 199.45 | 1,954.00 | 8,262.94 | (1,944.22) | (8,063.49) |
| 3.3.1.5 Operating Costs - Office Supplies | 53.27 | 1,147.95 | 15,284.55 | 31,967.47 | (15,231.28) | (30,819.53) |
| 3.3.1.6 Operating Costs - Procurement notice | 442.12 | 3,198.29 | 8,008.13 | 18,455.69 | (7,566.01) | (15,257.40) |
| 3.3.1.7 Operating Costs | 1,714.74 | 9,001.93 | 12,495.93 | 38,023.98 | (10,781.19) | (29,022.05) |
| 3.3.1.8 Office IT Equipment | - | 15,091.17 | - | 15,000.00 | - | 91.17 |
| 3.3.1.9 FMS | - | 4,707.01 | - | 5,000.00 | - | (292.99) |
| **Total Component 3** | **104,793.93** | **307,190.70** | **212,197.04** | **669,312.65** | **(107,403.11** | **(362,121.95)** |
| **Front-end Fee** | **-** | **50,000.00** | **-** | **-** | **-** | **50,000.00** |
| **Total Project Expenditures** | **336,607.95** | **635,762.78** | **5,235,447.81** | **10,410,977.42** | **(4,898,839.86)** | **(9,775,214.64)** |

* The budgeted amounts for the current period are projected amounts by the Project Implementation Unit

# Statement of Withdrawals – Designated Accounts-IBRD Loan number 9454-MK

| Application # and date of application | Total Requested | Total Received | Difference |
|---|---|---|---|
| | | | (Amounts in EUR) 1 January 2025 through 31 December 2025 |
| **IBRD Loan number 9454-MK** | | | |
| #5/ 06.03.2025 | 46,955.15 | 46,849.24 | 105.91 |
| #6/ 20.11.2025* | - | - | - |
| **Total** | **46,955.15** | **46,849.24** | **105.91** |

The differences between "Total requested" and "Total received" funds presented in the table above, represents costs for a bank fee, precisely the retained amount as the sender charges (intermediate bank)
*The sixth application's purpose is to document a prior advance to the designated account without any withdrawal.

| Application # and date of application | Total Requested | Total Received | Difference |
|---|---|---|---|
| | | | (Amounts in EUR) 1 January 2024 through 31 December 2024 |
| **IBRD Loan number 9454-MK** | | | |
| #3 / 11.03.2024 | 55,630.19 | 55,517.19 | 113,00 |
| #4/ 06.09.2024 | 95,444.06 | 95,331.06 | 113,00 |
| **Total** | **151,074.25** | **150,848.25** | **226,00** |

The differences between "Total requested" and "Total received" funds presented in the table above, represents costs for a bank fee, precisely the retained amount as the sender charges (intermediate bank)

# Statement of Withdrawals – Designated Accounts-Grant number B9863-MK

| | | | |
|---|---|---|---|
| | | | (Amounts in EUR) |
| | | | 1 January 2025 through 31 December 2025 |
| Application # and date of application | | | |
| | Total balance | Total refund | Difference |
| | | | |
| **Grant number B9863-MK** | | | |
| Refunds application / 17.12.2026 | 399.974,00 | 399.787,71 | 186,29 |
| **Total** | **399.974,00** | **399.787,71** | **186,29** |

The refunds application is submitted by the World Bank via Client Connection.
The differences between "Total balance" and "Total refund" funds presented in the table above, represents costs for a bank fee incurred during the refund transaction of 399,787.71 EUR

| | | | |
|---|---|---|---|
| | | | (Amounts in EUR) |
| | | | 1 January 2024 through 31 December 2024 |
| Application # and date of application | | | |
| | Total Requested | Total Received | Difference |
| | | | |
| | | | |
| **Grant number B9863-MK** | | | |
| #2/ 15.03.2024 | 6.668.69 | 6.642.69 | 26.00 |
| #3/ 13.09.2024 * | - | - | - |
| Total | 6,668.69 | 6,642.69 | 26,00 |

The differences between "Total requested" and "Total received" funds presented in the table above, represents costs for a bank fee, precisely the retained amount as the sender charges (intermediate bank)

*The third application's purpose is to document a prior advance to the designated account without any withdrawal.

# Statement of Designated Accounts-IBRD Loan number 9454-MK-EUR

| | |
|---|---|
| Account number | 007010001937.8 |
| Depository Bank | National Bank of the Republic of North Macedonia |
| Address | Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia |
| Loan Number | 9454-MK |
| Currency | EUR |

| | | |
|---|---|---|
| | | (Amounts in EUR) |
| | | For the period from |
| | 1 January 2025 through 31 December 2025 | 1 January 2024 through 31 December 2024 |
| **At 1 January** | **968,704.81** | **970,959.18** |
| **Add: Inflows** | | |
| Replenishment during the period | 46,955.15 | 151,074.25 |
| | **46,955.15** | **151,074.25** |
| **Deduct: Outflows** | | |
| Transfer to treasury account (Mirror designated account) - MKD | 336,299.93 | 153,102.62 |
| Front-end Fee | - | - |
| Intermediate Bank fee | 105.91 | 226 |
| | **336,405.84** | **153,328.62** |
| **At 31 December** | **679,254.12** | **968,704.81** |

# Statement of Designated Accounts-Grant number B9863-MK-EUR

| | |
|---|---|
| Account number | 007010001938.6 |
| Depository Bank | National Bank of the Republic of North Macedonia |
| Address | Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia |
| Grant Number | **B9863-MK** |
| Currency | EUR |

| | | |
|---|---|---|
| | | (Amounts in EUR) |
| | | For the period from |
| | 1 January 2025 through 31 December 2025 | 1 January 2024 through 31 December 2024 |
| **At 1 January** | **399.974,00** | **399.887,00** |
| **Add: Inflows** | | |
| Replenishment during the period | - | 6,668.69 |
| | - | **6,668.69** |
| **Deduct: Outflows** | | |
| Transfer to treasury account (Mirror designated account) - MKD | 186.29 | 6,555.69 |
| Refund to IBRD during the period | 399.787,71 | - |
| Intermediate Bank fee | - | 26 |
| | **399.974,00** | **6,581.69** |
| **At 31 December** | **-** | **399,974,00** |

# Statement of Treasury Accounts (Mirror Designated Accounts)-IBRD Loan number 9454-MK-MKD

| | |
|---|---|
| Account number | 0900100167786A9 |
| Depository Bank | National Bank of the Republic of North Macedonia |
| Address | Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia |
| Loan Number | 9454-MK |
| Currency | Macedonian Denars ("MKD") |

| | | |
|---|---|---|
| | | (Amounts in EUR) |
| | | For the period from |
| | 1 January 2025 through 31 December 2025 | 1 January 2024 through 31 December 2024 |
| **At 1 January** | | |
| | - | - |
| **Add: Inflows** | | |
| Transfer from designated account – EUR | 336,299.93 | 153,102.62 |
| | **336,299.93** | **153,102.62** |
| **Deduct: Outflows** | | |
| Amount of eligible expenses paid during the period | 336,299.75 | 152,102.62 |
| Transfer to petty cash | - | 1,000.00 |
| | **336,299.75** | **153,102.62** |
| **At 31 December** | | |
| | **0.18** | - |

# Statement of Treasury Accounts (Mirror Designated Accounts)-Grant number B9863-MK-MKD

| | |
|---|---|
| Account number | 0900100167785Б0 |
| Depository Bank | National Bank of the Republic of North Macedonia |
| Address | Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia |
| Grant Number | **B9863-MK** |
| Currency | Macedonian Denars ("MKD") |

| | | |
|---|---|---|
| | | (Amounts in EUR) |
| | | For the period from |
| | 1 January 2025 through 31 December 2025 | 1 January 2024 through 31 December 2024 |
| **At 1 January** | | |
| | - | - |
| **Add: Inflows** | | |
| Transfer from designated account – EUR | 186.29 | 6.555,69 |
| | **186.29** | **6.555,69** |
| **Deduct: Outflows** | | |
| Amount of eligible expenses paid during the period | 186.29 | 6.555,69 |
| Transfer to petty cash | - | - |
| | **186.29** | **6.555,69** |
| **At 31 December** | - | - |

# Statement of Petty Cash in MKD- IBRD Loan number 9454-MK

Loan Number 9454-MK
Currency Macedonian Denars ("MKD")

| | | |
|---|---|---|
| | | (Amounts in EUR) |
| | | For the period from |
| | 1 January 2025 through 31 December 2025 | 1 January 2024 through 31 December 2024 |
| **At 1 January** | | |
| | - | - |
| **Add: Inflows** | | |
| Transfer from Mirror Designated Account – MKD | | |
| | - | - |
| **Deduct: Outflows** | | - |
| Amount of eligible expenses paid during the period | | |
| | - | - |
| | | - |
| **At 31 December** | | |
| | - | - |

# Statement of Petty Cash in EUR- IBRD Loan number 9454-MK

Loan Number 9454-MK
Currency EUR ("EUR")

| | | |
|---|---|---|
| | | (Amounts in EUR) |
| | | For the period from |
| | 1 January 2025 through 31 December 2025 | 1 January 2024 through 31 December 2024 |
| **At 1 January** | | |
| | **16.00** | - |
| **Add: Inflows** | | |
| Transfer from Mirror Designated Account | | |
| | - | 1,000.00 |
| | **16.00** | **1,000.00** |
| **Deduct: Outflows** | | |
| Amount of eligible expenses paid during the period | 16.00 | 984.00 |
| | **16.00** | **984.00** |
| **At 31 December** | | |
| | - | 16.00 |

# Statement of Petty Cash in MKD- Grant number B9863-MK

Grant Number **B9863-MK**
Currency Macedonian Denars ("MKD")

| | | |
|---|---|---|
| | | (Amounts in EUR) |
| | | For the period from |
| | 1 January 2025 through 31 December 2025 | 1 January 2024 through 31 December 2024 |
| **At 1 January** | | |
| | - | - |
| **Add: Inflows** | | |
| Transfer from Mirror Designated Account – MKD | | |
| | - | - |
| **Deduct: Outflows** | | - |
| Amount of eligible expenses paid during the period | | |
| | - | - |
| | | - |
| **At 31 December** | | |
| | - | - |

# Notes to Project's financial statements

## 1 General

The Building Effective, Transparent and Accountable Public Financial Management Institutions Project will be financed through a EUR 20 million Investment Project Financing (IPF) from the IBRD and EUR 4.9 million in Recipient-executed grant financed from the EU under the European Commission - World Bank Partnership Programme Part III for Europe and Central Asia Programmatic Single-Donor Trust Fund. The Loan Agreement number 9454-MK and the Grant Agreement number B9863-MK ("Loan/Grant Agreement") between the Republic of North Macedonia ("Borrower/Recipient") and the International Bank of Reconstruction and Development ("World Bank" and acting as the administrator of the Trust Fund), for the Building Effective, Transparent and Accountable Public Financial Management Institutions in North Macedonia were signed on 25th of January 2023. The Building Effective, Transparent and Accountable Public Financial Management Institutions Project is planned to be carried out over the course of four years.

The following table underlines the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan No. 9454-MK ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for the Eligible Expenditures in each Category:

| Category | Amount of the Loan allocated (expressed in Euro) | Percentage of the Expenditures to be financed (inclusive of Taxes) |
|---|---|---|
| (1) Goods, non-consulting services and consulting services, Training and Operating costs for the Project | 19,950,000.00 | 100% |
| (2) Front End Fee | 50,000.00 | amount payable pursuant to Section 2.03 of the Loan agreement in accordance with Section 2.07 (b) of the General Conditions |
| **Total** | **20,000,000.00** | |

The following table underlines the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant No. B9863-MK ("Category"), the allocation of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for the Eligible Expenditures in each Category:

| Category | Amount of the Grant allocated (expressed in Euro) | Percentage of the Expenditures to be financed (inclusive of Taxes) |
|---|---|---|
| (1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Parts 1.1 (a), 1.2 (b) and (c), 1.4 (a) and (c) of the Project | 4,900,000.00 | 100% |
| **Total** | **4,900,000.00** | |

## 2 Project Objectives, Activities and Institutional Arrangements

### Project Objectives and Activities

Reflecting the objectives of the Government's 2022-2025 PFM reform program and building from the recent World Bank advisory support to the development and preparation for the implementation of the new OBL, the new State Aid Management Information System, and system modernization requirements to support the implementation of tax reforms, the Project Development Objective of Building Effective, Transparent and Accountable Public Financial Management Institutions Project is to improve the efficiency, transparency and sustainability of public expenditure and increase the effectiveness of revenue administration in North Macedonia. The Project will pursue a comprehensive approach to strengthening both the expenditure and revenue sides of the public financial management cycle that takes into account both fiscal and climate change sustainability. In particular, it contemplates:

- Support to public expenditure management reforms and the development of the IFMIS and the SAMIS; and

- Strengthening of tax administration processes and systems in the PRO.

These advances will be supported by activities focused on regulatory and institutional reforms, systems modernization, and capacity building. Given the importance of change management and strategic stakeholder engagement within the reform agenda, related activities will be an integral part of the proposed Project. Components 1 and 2 include the purchase of goods (software, hardware, network equipment) and services (consultancy, training); Component 3 mainly contemplates services (change management, PIU expenses) and project management/operational costs.

### Component 1: Supporting Public Expenditure Management Reforms

The objective of Component 1 is to support the implementation of PFM reforms by strengthening institutional capacity and improving the processes and technology platforms in line with the new OBL, including the introduction of an IFMIS, SAMIS and other GovTech solutions in North Macedonia. These activities are key to establishing the foundations for the implementation of the OBL and improving the efficiency, transparency, and sustainability of public expenditure, including reducing the accumulation rate of government arrears through coverage of expenditure cycle from budget formulation and expenditure commitment to expenditure verification and payment. In order to demonstrate more tangibly the impact of these reforms, at the beginning of implementation, pilot ministries in which the implementation of public expenditure management reforms can be tested, will be selected.

### Component 2: Strengthening Tax Administration Practices and Systems in PRO

The objective of Component 2 is to strengthen operational effectiveness of PRO operations with focus on strengthening its tax compliance management system and selected management functions. It will finance selected activities that are complementary to the PRO's ongoing investments in the development of the core modules (Registration, Filing and Service Management, Accounting, Payments, and Refunds, Debt management, Assessments, Legal, and Audit) of the Integrated Tax Information System (ITIS) being undertaken under the national budget.

**Component 3: Supporting Change Management, Donor Coordination and Project Management**

The objective of Component 3 is to build ownership and catalyze action for reforms by providing continuous support to the implementation of work under Components 1 and 2 through activities focused on change management for effective stakeholder engagement, and reform management based on a change management plan (to be developed under the Project). Increased ownership and a focus on results will contribute to addressing current challenges in inter-institutional coordination; state-society relations; and institutional capacity constraints; all of which have the potential to hinder the implementation of planned public expenditure and revenue management activities. This component will support change management activities for improved organizational learning, facilitating collaboration on key areas of the reform, including on associated cross-cutting issues linked to the country's priorities in areas such as climate change and gender equality, and the achievement of results. It will take an adaptive management approach by employing methods with strong stakeholder feedback loops. The adaptive management approach will also ensure flexible and responsive capacity development support that can be adjusted over time.

The overall project size is EUR 24,900,000, including Front-End Fees paid out of the loan funds, provided by the World Bank and EU Delegation. The World Bank confirmed the conditions for the effectiveness of the Loan Agreement and Grant Agreement on 20th of April 2023. The closing date of the project is 30th of September 2027.

## 3 Accounting policies

Following are the principle accounting policies adopted in preparation of these financial statements. These accounting policies are consistently applied to all financial periods presented.

**Basis of preparation**

The accompanying financial statements have been prepared for the purposes of reporting to IBRD, on the activities of the Project related to the loan received for the completion of the Project's objectives, in accordance with the respective provisions set out in the Loan Agreement Loan numbered 9454-MK and Grant Agreement numbered B9863-MK signed between the IBRD and MoF. These financial statements are prepared on the cash receipts and disbursement basis and include all Project - related expenditures incurred, which are financed under the provisions set out in Loan Agreement numbered 9454-MK and Grant Agreement numbered B9863-MK dated 25th of January 2023.

The financial statements have been prepared for the period from 1 January 2024 to 31 December 2024.

**Currency translation**

All amounts of the Project's financial statements are presented in Euro as this is the reporting currency of the Project. The exchange rates used for preparation of the Project's financial statements is the buying foreign exchange rates of the National Bank of the Republic of North Macedonia for international payment operations of the government bodies of Republic of North Macedonia by which each instalment is transferred to a Denar ("MKD") denominated account in the bank, until that Denar amount is spent.

Budgeted amounts included in the Statement of Uses of Funds by Project Activity are translated from MKD into Euro using an exchange rate **61.5 MKD for 1 Euro.**